

Message Text

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ACTION STR-07

INFO OCT-01 ISO-00 STRE-00 AF-10 ARA-10 EA-10 EUR-12

NEA-10 OIC-02 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15

JUSE-00 DOEE-00 SSO-00 IO-13 /168 W

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FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 2861

INFO ALL EC CAPITALS

AMEMBASSY BRASILIA

AMEMBASSY MEXICO

AMEMBASSY NEW DELHI

AMEMBASSY OTTAWA

AMEMBASSY SEOUL

AMEMBASSY TOKYO

AMCONSUL HONG KONG

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USMTN

ACTION STR FOR MATTHEISEN AND LANDE

STR PASS CODEL

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TAGS: MTN, ETRD, BR, BE, MX, IN, CA, KS, JA, HK

SUBJECT: POST JULY 15 SAFEGUARDS DISCUSSIONS WITH LDCS

REF: (A) GENEVA 9452 (NOTAL), (B) GENEVA 9886, (C) GENEVA

10226

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1. SUMMARY: US/JAPAN AND EC HAD SEPARATE MEETINGS WITH GROUP OF 'ADVANCED' LDCS TO DISCUSS REALISTIC LDC PARTICIPATION IN SAFEGUARD NEGOTIATIONS, ESPECIALLY ON ISSUE OF SELECTIVITY. OUR NET IMPRESSION IS THEY ARE COMING AROUND TO POINT OF VIEW THEY'RE BETTER OFF JOINING AS NEGOTIATING PARTICIPANTS (AT U.S.-JAPAN END OF SELECTIVITY SPECTRUM) THAN REMAINING TOTALLY OUTSIDE WITH ABSOLUTE STATEMENTS

THAT SELECTIVITY NON-NEGOTIABLE. END SUMMARY.

2. U.S. (HARTZELL, GRAEF, ADDUCI) AND JAPAN (NOGAMI) MET WITH A GROUP OF FIVE LDC DELS (MEXICO, KOREA, HONG KONG, INDIA, BRAZIL) JULY 20 FOR AN INFORMAL EXCHANGE OF VIEWS ON SELECTIVITY AND TO ENCOURAGE LDCS TO PARTICIPATE IN SAFEGUARDS NEGOTIATIONS IN A SERIOUS WAY THIS FALL. U.S. OBSERVED IT MUST BY NOW BE CLEAR TO LDCS THAT DCS WERE NOT PRESENTING A FAIT ACCOMPLI, THAT NEGOTIATIONS ARE STILL WIDE OPEN, AND THAT OBVIOUS DIFFERENCES REMAIN BETWEEN U.S., JAPAN AND THE EC ON SELECTIVITY ISSUE IN PARTICULAR. WE NOTED THAT UP TO NOW LDCS HAVE PLACED THEMSELVES OUTSIDE THE FIELD OF NEGOTIATION ON SELECTIVITY. THEIR RECENT "ANTI-SELECTIVITY" TEXT (INF/17/ADD.1) HARDLY LENDS ITSELF TO SATISFACTORY RESULT ON THAT ISSUE, IF IT IS ACCEPTED THAT THERE MUST BE AT LEAST A MINIMAL ACCOMMODATION IN EC'S DIRECTION TO BRING OFF A FULL SAFEGUARDS CODE. WE STRESSED OUR PREFERENCE FOR CONSENSUAL ROUTE FOR ANY SELECTIVITY BUT NOTED WE HAD ACCEPTED THE IDEA OF NEGOTIATING SOME POSSIBILITY BEYOND THE CONSENSUAL POINT, THOUGH IN A VERY LIMITED WAY. WE URGED LDCS TO ATTEMPT TO FIND SOME COMMON GROUND WITH U.S. AND JAPAN BY STAKING OUT A MORE NEGOTIABLE POSITION, IN ORDER TO PRESENT EC WITH A CONVINCING PICTURE OF WHERE THE REAL NEGOTIATING FIELD LAY. AT PRESENT U.S. AND EC WERE AT LOGGERHEADS, AND IF ANYTHING U.S. RESOLVE ON SELECTIVITY HAD STRENGTHENED THE LIMITED OFFICIAL USE

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LAST SEVERAL WEEKS. GIVEN DIVERGENCE OF VIEW ON ISSUE AMONG MEMBER STATES, EVIDENCE OF COMMON THINKING AMONG U.S., JAPAN AND LDCS COULD FORCE MORE EXTREME MEMBER STATES TO REASSESS THEIR POSITION.

3. JAPANESE REP STATED THAT EVEN THOUGH HE DOES NOT LIKE IT, SAFEGUARDS CODE WITHOUT SOME PROVISION FOR SELECTIVITY IS OUT OF THE QUESTION GIVEN CURRENT STATE OF AFFAIRS IN THE EUROPEAN COMMUNITY. HE SAID JAPAN WOULD VIEW A TOLERABLE CODE ON SAFEGUARDS, WHICH INCLUDES SUBSTANTIAL INCREASES IN LEVEL OF DISCIPLINE, AS A "BIG GAIN" SINCE RETURNING TO ARTICLE XIX AS IS WOULD BE UNSATISFACTORY, EVEN DANGEROUS. JAPAN'S AGREEMENT TO ANY SELECTIVITY WAS CONDITIONAL ON REMOVAL BY EC OF DISCRIMINATORY QRS AND BILATERAL SAFEGUARD PROVISIONS. FINALLY, JAPAN AS A NATION WAS NOT AFRAID OF SELECTIVITY SINCE IT HAS LEVERAGE THROUGH POWER TO RETALIATE. LDCS WOULD IN FUTURE ALSO HAVE THIS LEVERAGE, IF THEY DID NOT YIELD IT ALREADY.

4. LDC REACTIONS TO THIS PITCH WERE SOMEWHAT AMBIGUOUS. KOREA (LEE) SAID IT FEARED U.S. WOULD SACRIFICE ITS POSITION ON SAFEGUARDS AT THE END OF THE DAY FOR CONCES-

SIONS IN OTHER MTN AREAS LIKE SUBSIDIES/CVD (WE RESPONDED THAT IS NOT A TRADE-OFF WE ENVISAGE). KOREA INSISTED IT MUST KNOW U.S. BOTTOM LINE ON SELECTIVITY IN ORDER TO NEGOTIATE, AND ADDED AS A GROUP LDCS WERE "DIVIDED, ENGULFED" ON ISSUE. INDIA (KUMAR), WHO WE ARE TOLD IS ACTING AS LDC SPOKESMAN ON SAFEGUARDS, NOTED THAT EVEN IF THE PRICE OF NOT REACHING A SAFEGUARDS AGREEMENT IS JX RETURNWTO ARTICLE XIX, INDIA STILL COULD NOT ACCEPT THE CURRENT EC POSITION. IT SAID IT WOULD BE LOOKING FOR DEVELOPMENTS IN OTHER MTN SECTORS STRESSING THAT FUNDAMENTAL TO ITS ASSESSMENT WILL BE PROVISIONS FOR S&D AND ELIMINATION OF GRADUATION ELEMENT. MEXICO (GARRIDO) HAMMERED THEME "WHAT'S IN IT FOR US?" SAYING EC MUST PRODUCE SOME CONCESSION FOR LDCS IF THERE IS TO BE ANY LIMITED OFFICIAL USE

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LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15
JUSE-00 DOEE-00 SSO-00 IO-13 /168 W
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CHANCE OF SELLING IDEA OF SELECTIVITY AT HOME. BRAZIL (BARTHEL ROSA) PICKED UP SAME THEME SAYING ADVANCED DEVELOPING COUNTRIES LIKE BRAZIL WILL BE MAJOR VICTIMS OF SELECTIVITY YET THEY HAVE BEEN OFFERED NOTHING IN EXCHANGE; EC IS THE DEMANDEUR, IT MUST MOVE OFF OFFICIAL POSITION AND OFFER ADEQUATE CONCESSIONS TO COMPENSATE LDCS FOR GIVING UP "RIGHT" TO MFN TREATMENT. HONG KONG (TSAO)
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SAID IT'S "HERE TO NEGOTIATE" BUT HAS SEEN NO EVIDENCE THAT SELECTIVITY WILL NOT BE ABUSED. IN ORDER TO SHOW ANY FLEXIBILITY, HONG KONG FIRST NEEDS ASSURANCE THAT UNITED STATES WILL NOT SOFTEN ITS CURRENT POSITION. HE STRESSED BALL IS NOW IN COURT OF EC, WHICH WILL HAVE TO SCALE DOWN ITS DEMANDS IF THERE IS TO BE AN AGREEMENT WHICH INCLUDES LDCS.

5. MEETING ENDED ON CORDIAL AND GENERALLY UPBEAT NOTE WITH UNDERSTANDING THAT DC-LDC INFORMAL MEETINGS WOULD BEGIN IN EARNEST IN FALL.

6. SUBSEQUENT TO OUR SESSION, WHICH WE DID NOT MENTION TO OTHER DC DELS, EC INFORMED US IT WOULD BE MEETING WITH LDCS (ESSENTIALLY SAME GROUP WE HAD SELECTED), AT URGING OF MEMBER STATES, IN ORDER TO SOUND OUT LDCS ON WILLINGNESS TO ENTER 'SERIOUS NEGOTIATIONS' ON SELECTIVITY. EC MEETING HELD MORNING OF JULY 26, WITH MEMBER STATES PRESENT; COMMISSION REP (ABBOTT) BRIEFED RESULTS TO GROUP OF DCS THAT AFTERNOON.

7. ACCORDING TO ABBOTT, LDCS SEEMED INTERESTED IN PARTICIPATING MORE ACTIVELY IN NEGOTIATIONS BUT UNIFORMLY TOLD EC THAT ITS CURRENT SELECTIVITY FORMULATION WAS NOT NEGOTIABLE; TSAO WAS REPORTED TO HAVE SAID THAT NO AMOUNT OF EXTRA DISCIPLINE OR EC CONCESSIONS COULD EVER COMPENSATE FOR RIGHT SOUGHT BY EC TO TAKE UNILATERAL PROVISIONAL ACTION. ALL LDCS STRESSED THAT EX POST REVIEW WAS SIMPLY NOT SUFFICIENT. ABBOTT REPORTED THERE WAS HIGH DEGREE OF INTEREST IN PURSUING NEW DISCIPLINES PROVIDED ELSEWHERE IN CODE, BUT HE HAD TOLD LDCS THAT EC CONSIDERED CODE A PACKAGE AND COULD NOT NEGOTIATE OTHER TEXT SECTIONS WITHOUT PARALLEL CONSIDERATION ON SELECTIVITY. IN

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RESPONSE TO EC'S CRUCIAL QUESTION, "ARE YOU OPPOSED TO ANY NEGOTIATION AT ALL ON SELECTIVITY?" LDC RESPONSE WAS (FOR FIRST TIME IN MEETING OF THIS SORT): "NO, ONLY OPPOSED TO YOUR (EC'S) VERSION OF IT." BRAZIL AND OTHERS REPORTEDLY STRESSED WILLINGNESS TO NEGOTIATE IF EC READY TO OFFER AN ACCEPTABLE QUID-PRO-QUO (UNSPECIFIED). BOTH SIDES EMPHASIZED THEY WOULD BE READY FOR SERIOUS NEGOTIATIONS IN THE FALL.

8. WE LATER CONFIRMED ESSENTIALS OF ABBOTT'S REPORT WITH MEMBER OF HONG KONG MISSION WHO HAD BEEN PRESENT, AND WHO EXPRESSED RELIEF THAT HIS LDC COLLEAGUES HAD NOT TAKEN MONOLITHIC HARD LINE.

9. COMMENT: AS ALWAYS IN DEALING WITH INDIVIDUAL LDCS ON SUBJECT WHERE LDC GROUP HAS CAREFULLY DEVELOPED HARD-LINE POSITION, WE ARE FORCED TO READ NUANCES OF THEIR COMMENTS AND ATTACH SOME SIGNIFICANCE TO THINGS NOT SAID. IN THIS CASE IT WAS SIGNIFICANT THAT LEADERS OF ADVANCED LDC GROUP DID NOT, EVEN IN EACH OTHER'S (AND EC MEMBER STATES') PRESENCE, FEEL COMPELLED TO REITERATE PREVIOUS EXTREME LINE OPPOSING SELECTIVITY NEGOTIATIONS, AND MORE-OVER SPECIFICALLY REJECTED ONLY EC'S EXTREME FORMULATION OF SELECTIVITY. ALSO IMPORTANT, IN EC-LDC SESSION, IS EMERGING MEMBER STATE CONCERN THAT EC FIND A SOLUTION THAT CAN BE GENUINELY SOLD TO, NOT MERELY IMPOSED UPON, LDC "THOUGHT LEADERS". WE JUDGE THIS TO BE BEGINNING (BUT NO MORE THAN THAT) OF HEALTHY PROCESS OF INCREASING REALISM ABOUT SELECTIVITY NEGOTIATION IN BOTH EC AND LDC CAMPS. END COMMENT.

10. DRAFTED BY ADDUCI/HARTZELL. MCDONALD

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